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ALAN CANFIELD
of A. J. Canfield Co.



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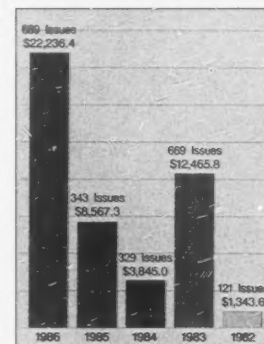
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 A. J. Bernstein

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WALL STREET GOES "HOLLYWOOD"

Last year, we told you investors were looking for proven management and a history of solid performance. Well, they changed their minds.

BY BRUCE G. POSNER

THE CORNER OF WALL STREET AND VINE

Entertainment companies steal the limelight.

★ What is it about the movies that makes otherwise rational men and women want to own a piece of them? Damned if we know, but a slew of glitzy movie and television companies made their debut on Wall Street in 1986, and the fans, well, they just went wild.

The curtain went up in May, with a \$22-million initial public offering by De Laurentiis Entertainment Group Inc., a company headed by big-time producer Dino De Laurentiis—he of *King Kong*, *Serpico*, and *Ragtime* fame. Never mind that the business had recently lost \$1.5 million in the space of only seven months. Or that the prospectus contained a strong warning

Dino De Laurentiis
Curtain raiser

about the company's ability to meet interest payments. Or that future releases might be box-office clunkers. (DeLaurentiis, remember, is also the guy who brought us the immortal remake of *Hurricane*.) None of that mattered, as the stock climbed from its offering price of \$12 a share to \$19.25 within a few weeks.

By then, Wall Street was beginning to resemble the Sidewalk of Stars. July, for example, brought a \$13.3-million IPO from Imagine Films Entertainment Inc., a company formed by Hollywood producer Brian Grazer and actor-turned-director Ron Howard, better known, perhaps, as "Richie Cunningham" on "Happy Days." In the past two years, Grazer and Howard have collaborated on *Splash* and worked separately on



Ron Howard
Splash maker

such movies as *Spies Like Us* and *Cocoon*. "Neither Mr. Grazer nor Mr. Howard has had any material prior experience [running] a business enterprise," warned the prospectus. Nor, it continued, would there would be much of a business without them. But fans weren't dissuaded: in a few weeks, the stock rose from \$8 to \$14.75.

Then came New Line Cinema Corp., which raised \$6.4 million with its IPO in

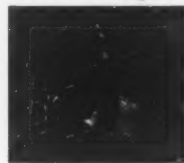
POP!

The Popcorn Offering



With so many movie companies going public, it was only a matter of time before a popcorn maker would explode on the scene. Sure enough, one did—Golden Valley Microwave Foods Inc., in Minneapolis, which sold close to \$20 million of microwave popcorn in the first six months of 1986. It did even better with its September IPO, which raised \$22.4 million at \$14 a share, for a high-powered multiple of 23 times earnings. Golden Valley is now busy marketing another product, microwave pancakes—which probably means it's time to go long on syrup.

September, largely on the strength of such low-budget classics as *A Nightmare on Elm Street* and *Critters*. That was followed by Carolco Pictures Inc., whose principal asset is *Rambo*. The company was looking for money to finance *Rambo* sequels, a *Rambo* cartoon show, *Rambo* toys, and the like. Investors obliged to the tune of \$37.3 million—which goes to show that there's no accounting for taste.



Rambo
Top draw

While movie companies were stealing the limelight, television producers struggled to get their own acts together. The first to file, in September, was Lorimar-Telepictures Entertainment Corp., which spins out the likes of "Dallas," "Falcon Crest," and "Knots Landing," but it withdrew its offering in November. Dick Clark, on the other hand, didn't miss a beat. The veteran host of "American Bandstand," whose company is aptly named Dick Clark Productions Inc., hit the Street with a \$7.2-million issue in early January 1987.



Dick Clark
Beat keeper

Will these newly public companies live up to their billings? Will the hits keep on coming? Harold Vogel, Merrill Lynch Capital Markets's entertainment industry analyst, has his doubts. Strip away the glamour, he says, and "there isn't much for investors to look at on a balance sheet." But, hey, if you've got Sylvester Stallone, who needs a balance sheet?

THE CULT OF PERSONALITY

What some investors won't do to stand by their man.

☆ You can go a long way on Wall Street with a good story, and—when it comes to stories—Michael D. Dingman's ranks right up there with "Snow White and the Seven Dwarfs."



M. D. Dingman
The manager with the magic touch

Dingman is the chief executive of The Henley Group Inc. If you don't recognize the company's name, that may be because it didn't even exist until a few months prior to the offering. Then Allied-Signal Inc. decided to spin off some 35 of its turkeys, and we

do mean gobblers. We're talking here about businesses that, as a group, lost \$65.4 million in 1985. Dingman took them over and brought the collection public for \$1.2 billion in May, one of the largest IPOs in history.

You say that's preposterous? You ask how such a company could possibly be worth \$21.25 per share? In the minds of investors, the answer lay in Dingman.

A tall, balding man of 54, Dingman had spent the early part of his career doing deals on Wall Street. During the 1970s, he decided to try his hand at empire-building and put together a conglomerate called Wheelabrator-Frye Inc., now owned by Allied-Signal. The effort won the hearts and minds of investors, especially those with money in Dingman's company. A dollar invested in Wheelabrator-Frye back in 1971 would be worth close to \$7 today.

Of course, there's no guarantee that Dingman will be able to do it again, and he hasn't been very specific about his plans. But somebody out there must love him. At the year's end, the stock was still trading at a point or two over its offering price—with no performance to show for it.

NO STARCH

The Dry Cleaner Offering



One of the glamour IPOs of 1985 was Roto-Rooter Inc., the drain-and-sewer cleaner, so we probably shouldn't be surprised that a dry cleaner would take the plunge in 1986. Dryclean USA Inc.

owns or franchises stores in five states and wants to move into new markets like New York, Chicago, and Washington, D.C., where there certainly are a lot of suits to clean. In any case, it had little trouble selling its December offering of \$11.5 million, one of the few times that investors didn't mind being taken to the cleaners.

BUY ME

The Money Manager Offering



If you've ever watched PBS's "Wall Street Week," you probably know the name and face of Martin E. Zweig.

He's a regular guest on the show. Last year, Zweig decided to take himself public. Initially, he wanted \$65 million for The Zweig Fund Inc., an investment pool geared toward capital appreciation. What he got was \$300 million—good for around \$30 million a year in advisory fees. Can The Rukeyser Fund be far behind?

LOOK, MA, NO SALES

Customers? Contracts?

Who needs 'em?

☆ It used to be that a company couldn't even begin to look for equity without having something to show investors—a product, sales, profits, that sort of stuff. These days, however, public investors aren't so picky, as witnessed by some of the IPOs that sailed through the market in 1986.

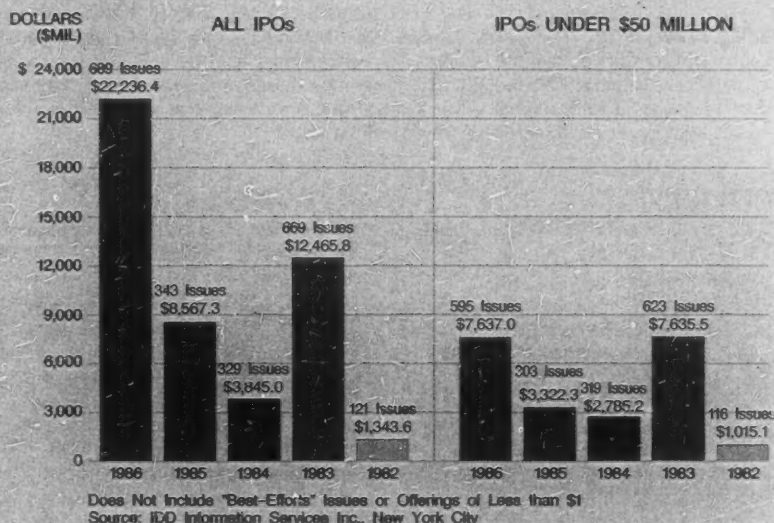
Last summer, for example, a company called Flores de New Mexico Inc., in Las Cruces, N.M., managed to raise \$3.6 million, despite the fact that it had no sales. Granted, there is a huge market for flowers, and the sunny Southwest is no doubt an ideal place to grow them. But Flores didn't even have contracts to supply anyone, and—as the prospectus calmly pointed out—there were no guarantees that prices would cover costs. Undeterred, investors paid \$6 a share for a chance to see what would happen.

Investors also provided \$3 million to a profitless start-up named The Fresh Juice Co., located in Great Neck, N.Y. In this case, there was at least a product—"fresh-squeezed" orange juice, frozen in plastic bottles for shipment to stores. The company had been market-testing the stuff in the New York City area, where people had been willing to pay \$1.99 a liter. Considering that the stock came out at \$5.50 per share, the question of the hour is, Who got the better deal?



Fresh Juice Co.
A product, but no profits

FIVE YEARS OF IPOs



Now big was it? From the chart on the left, you'd think 1986 was far and away the best year ever to go public. For megabuck IPOs, it was. Of the 689 IPOs in 1986, 94 accounted for nearly \$15 billion of the \$22.2 billion raised. But if you factor out deals of more than \$50 million (chart on the right), the 1986 market—while still very active—was not much bigger than that of 1983.

BOW-WOW

The Dog Food Offering



You know a market's hot when you start getting IPOs of companies that specialize in all-natural treats for dogs and cats.

That one turned up in February, when CherAmi Natural Pet Foods Inc., in Larchmont, N.Y., managed to sell a \$1-million offering. According to the prospectus, the company needed the money to get its message across to pet owners who just weren't convinced that natural pet food is all it's cracked up to be. Investors bought it. Maybe they were in heat.

UNDERWRITING THE UNDERWRITERS

Some of the biggest deal makers around made their own deals.

★ In days of yore, investment banking was the most private of private clubs, complete with leather chairs, oak tables, and after-dinner brandy. What mattered were contacts, longtime relationships, and the ability to find and assemble deals. All that has changed, however, and 1986 saw some of the biggest names in the business venturing into the public arena, firms like Morgan Stanley Group Inc. and L. F. Rothschild, Unterberg, Towbin Holdings Inc.

Perhaps the biggest shocker was the March IPO of Morgan Stanley, one of the clubbiest of firms since its founding by Henry S. Morgan and five partners in 1935. It approached would-be investors for \$163.8 million. Its plea was simple: with the investment banking business growing ever more crowded, the company needed outside capital to remain competitive. That same re-



Henry S. Morgan
Good-bye to the private club

frain was sounded by Alex. Brown Inc., the descendent of an old-line Baltimore firm, which raised \$51 million. L. F. Rothschild, on the other hand, added a few notes of its own. The company's prospectus admitted that, competition aside, more than \$95 million of the \$157.4-million offering would go to a selling shareholder with which one director was affiliated. This must have come as a surprise to some of the clients whom Rothschild had taken public over the years. Underwriters have been known to raise eyebrows when owners want to dump stock. But, hey, investment bankers have tuition bills too, you know.

CAN YOU GET IT FOR ME RETAIL?

From checkout stands to the living-room mall, retailers had a field day.

★ We Americans may not manufacture as much as we used to, but we sure haven't lost our knack for buying, and Wall Street acknowledged this dubious reality by making 1986 a banner year for retailers and wholesalers. Some 59 of them raised \$2 billion in IPOs during the year—more than double the total raised in 1985. The offerers were generally smaller, younger, and less profitable than in years past, suggesting that retailing has, at least temporarily, arrived.

Especially hot were specialty retailers targeting the yuppie market. For example, \$12.6 million went into stock offered by Tuesday Morning Inc., a Dallas discounter of close-out merchandise. Another \$42 million went into the offering by Lands' End Inc., the Dodgeville, Wis., mail-order firm that features items such as soft luggage and rugby shirts. J. Bildner & Sons Inc., an upscale grocer based in Boston, raised \$18.9 million in September, despite skimpy fiscal 1986 profits of \$111,848—giving the company a price/earnings ratio of 169 to one.

But the big news was the frenzy over home shopping, touched off by the astonishing success of the Home Shopping Network Inc.'s (HSN) IPO in May. Here was a company that had been national for less than a year, whose programming (if you can call it that) had all the production values of a late-night TV ad for "The Most Popular Country and Western Hits of the Century." A rational person might have thought twice before investing in such a stock. After all, couldn't someone else come along with a

less hokey way to peddle the diamond bracelets and exercise machines that Americans were apparently so desperate to buy over the airwaves? What was to stop classier competitors from eating HSN for breakfast?

Investors weren't concerned. Issued at \$18, shares skyrocketed above \$42 by the end of the first day, and reached \$108 before the end of June. Neither the underwriters nor the company's managers could explain all the excitement.

But, as it turned out, they did have to worry about competitors, a dozen of which managed to rack up more than \$400 mil-

lion in sales during 1986. One of them, moreover, slipped quietly into the public market during September—a start-up named QVC Network Inc. Stressing its intention to concentrate on products unavailable elsewhere and to maintain high quality standards, QVC raised \$25 million. Shortly thereafter, Sears, Roebuck & Co. announced plans to offer its products on QVC's shopping programs and took options to buy a controlling interest in the company.

Where this will lead is anybody's guess. Home shopping may indeed turn America into a living-room mall, changing forever the way we shop. Then again, it may go down the same path as hula hoops and video games. But if you'd like to get a pair of earrings just like the ones Burt Reynolds bought for his mom, you'd better call now. Operators are standing by, and the supply is limited.



The Home Shopping Network studio
Selling to America's living rooms

RIM SHOT

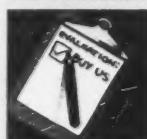
The Celtics Offering



Bostonians will spend a cold night on Causeway Street to buy play-off tickets for their Celtics, but there were a lot of empty seats when the team went public in December. At \$18.50 per unit, or 34 times earnings, the price of admission was just too high—especially considering the ages of the starting five. The \$48.1-million issue sold out, all right, but mainly to investors outside New England. Now all they need is the next Larry Bird.

HOT TIPS

The Consultant Offerings



A consultant, they say, is someone who borrows your watch and then tells you what time it is. Well, the watch wasn't enough. A number of consultants are cleaning up with IPOs. Philip Crosby Associates Inc., the quality-control specialists, raised \$13 million in late 1985—with \$4.8 million going to selling shareholders. Insiders did even better in last summer's \$11.6-million IPO from the Gartner Group Inc., cashing in to the tune of \$6.8 million.

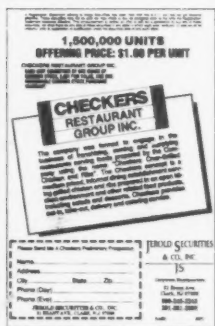
10 SHARES TO GO

At one restaurant, the special was printed on a tombstone.

☆ Ben & Jerry's Homemade Inc., the Vermont-based ice-cream maker with the down-home flavor, made financing history a few years ago when it invited local patrons to "get a scoop of the action" and buy its stock. The technique was so effective from both a marketing and capital-raising standpoint that a New York City restaurant chain has begun serving similar fare along with its usual menu of barbecued chicken and ribs. The chain, Checkers Restaurant Group Inc., decided to go public last summer and placed announcements of the impending IPO on its restaurants' front counters, right next to the take-out menus. While patrons waited for their ribs and

wings, they could read about the company's plans to expand through franchising and to begin marketing its sauces. (Subsequently, Checkers replaced the flyers with a traditional tombstone ad.)

The underwriter finds it all, well, finger-licking good. "I happen to like their grilled chicken," says Lance Galant, a vice-president of Jerold Securities & Co., which is managing the \$1.5-million offering. "And my wife loves their chicken salad. We eat their food maybe three nights a week."



Counter offer
Take one home

KID STUFF

If your business was child's play, investors were interested.

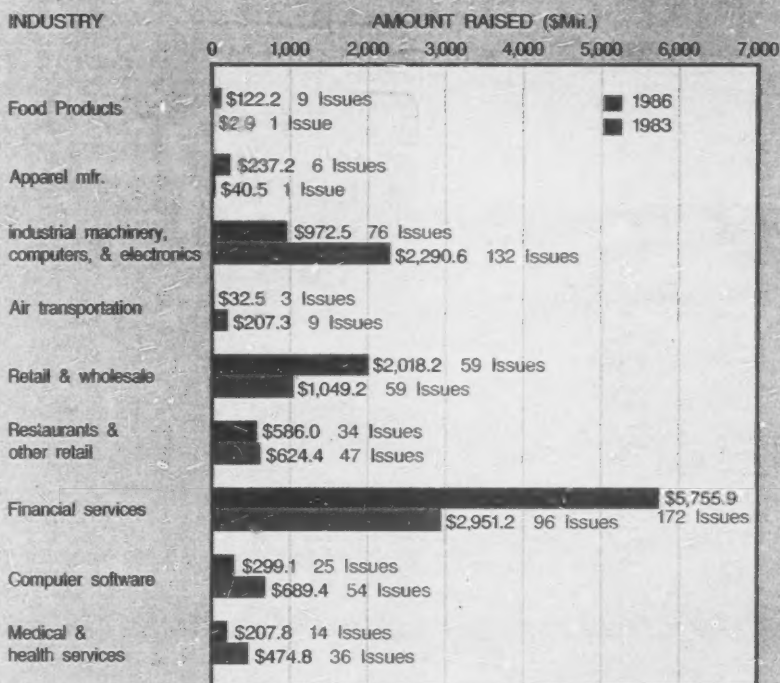
☆ When the bulls are running on Wall Street, even a bear can do well in the market. Well, not just *any* bear, perhaps, but then Teddy Ruxpin isn't just any bear. He's cute and furry and moves his eyes, nose, and mouth, while saying things like, "You have to earn the things worth having." He was also the hit of the 1985 Christmas season, pulling down sales of \$93 million, and profits of more than \$8 million, in just eight months. That enabled his creator, Worlds of Wonder Inc., to do a \$108-million IPO in June, leaving the selling shareholders a cool \$33.7 million richer.

Of course, it didn't hurt that, by then, the company was already getting ready to trot out its Christmas '86 line, including a talking Charlie Brown and a soon-to-be

Teddy Ruxpin, the golden bear
Sales of \$93 million, and an \$108-million IPO



THE INDUSTRY MIX: 1986 AND 1983



Source: IDD Information Services Inc., New York City

Who got the bucks? The initial public offering market being the trendy place it is, industries have a way of falling in and out of investors' favor from year to year. As the chart above suggests, consumer-oriented new issues (food products, apparel manufacturers, retailers and wholesalers, and restaurants) were about as popular in 1986 as technology offerings (industrial machinery, computers and electronics, and computer software) had been in the previous benchmark year of 1983. All other industries were dwarfed, however, by the boom in financial-service IPOs.

popular, if rather macabre, high-tech game called Lazer Tag.

Worlds of Wonder wasn't the only toy company to go public during 1986, nor did it have the only bear. Nolan Bushnell's Axlon Inc. featured its own A G Bear prominently on the inside cover of its prospectus. Unfortunately, the document also reported the grizzly details of Axlon's five and a half years of losses. Even so, investors bought out the \$10.8-million offering, as well as the \$48-million IPO of the Universal Matchbox Group Ltd., maker of Matchbox toys.

It was not all child's play in the 1986 market, however. Child's education did all right, too. A start-up called Kid's Computer College Inc. raised \$360,000 to establish an after-school computer-training facility in Cinnaminson, N.J., for youngsters from grades four and up. But that was kid stuff compared to American Learning Corp., in Huntington Beach, Calif., whose IPO brought in \$8.5 million to finance construction of centers where school-age children can receive supplemental reading and math instruction.

HOW IPO INVESTORS PICK THEIR STOCKS

One thing they don't do is read prospectuses.

☆ Every IPO market has its fads, and 1986 had more than most—which makes you wonder about the investors who snap up new issues. Some of them, of course, are institutional money managers. But what about the private individuals? Who are they, and how do they pick their stocks? Hoping for insights, we talked to Robert J. Shiller of Yale University, who—with his colleague John Pound—has done a new study on IPO investors.



Robert J. Shiller of Yale
"You'd better have a story."

INC.: Tell us about your research.

SHILLER: Well, we picked a company that went public in May 1985, and we contacted 200 of the approximately 1,000 shareholders who invested in the company. Unfortunately, I can't mention the company's name, but I can say it's in retailing. During the summer of 1986, we sent out a questionnaire and three follow-up letters. We got 141 responses, 132 of which were deemed usable.

INC.: What did you find out?

SHILLER: Among other things, we found out that IPO investors generally don't read prospectuses. Only 30% said they read company materials, like a prospectus, before investing.

INC.: So they just happened to like the business?

SHILLER: No, few of them even care about the business. In fact, only 21% paid attention to things like price/earnings ratios or other measures of value. The largest group, around 50%, said they were primarily influenced by the kinds of stocks that were attractive to other investors. They buy IPOs because they think the stock will do well, or because other companies in the field are doing well. They also rely heavily on what friends and co-workers have to say.

INC.: Sounds like a crapshoot.

SHILLER: It's certainly not what you would expect if you believe that financial assets accurately reflect underlying value.

INC.: What does this say to companies thinking about going public?

SHILLER: It says you'd better have a story that the man in the street can understand. The most common way people find out

CHOPPED LIVER

The Deli Offering



It used to be harder to get a decent chopped liver sandwich in southern California than to find a plumber on Sunday.

Then along came Harold Butler, who began setting up New York-style delis all over southern California under the name of Hershel's Deli & Bakery Inc. Last summer, Butler planned to take the chain public in a \$8-million offering, but the deal wound up in the soup. Shortly after pulling the offering, the company went Chapter 11. Since then, it's been strictly cold turkey.

about IPOs is through word of mouth. Forty-five percent of the IPO investors we surveyed knew of someone who had bought the stock, versus 28% for investors in general. That's why some people refer to IPOs as "story stocks."

INC.: And if you don't have a story?

SHILLER: Well, it's going to be harder to raise money with an IPO. It's as simple as that. Your story doesn't have to be the most exciting one in the world. In fact, it can be pretty mundane, like making parts for machine tools. But it has to be a story people can latch on to, that's repeatable. Otherwise, it won't spread.

THE 10 BEST-PERFORMING IPOs OF 1986

Rank & Company	Offer Size (\$ Mil.)	Adjusted Price	Price 12/31/86	% Change
1. Home Shopping Network Mkts. consumer prods. on TV	\$36.00	6	37 $\frac{1}{8}$	519%
2. ATI Medical Rents medical equip.	3.00	2	7 $\frac{1}{8}$	256
3. Enviropact Environ. consulting svc.	1.95	3 $\frac{1}{4}$	10 $\frac{1}{4}$	215
4. Sigma Designs Mfrs. & mkts. computer prods.	5.75	5 $\frac{3}{4}$	17 $\frac{3}{4}$	209
5. Flores de New Mexico Grows & sells plants	3.60	4	12	200
6. Nutmeg Industries Designs & mfrs. sweaters, logos	4.00	5	14 $\frac{1}{2}$	190
7. Nationwide Cellular Services Operates cellular-telephone svc.	2.50	5	13 $\frac{1}{4}$	165
8. ICN BioMedicals Mfrs. & mkts. diagnostic prods.	3.36	6	14 $\frac{15}{16}$	149
9. Adobe Systems Dvlps. computer language	5.55	11	25 $\frac{7}{8}$	135
10. Microsoft Dvlps. computer software	58.70	21	48 $\frac{1}{4}$	130

THE 10 WORST-PERFORMING IPOs OF 1986

Rank & Company	Offer Size (\$ Mil.)	Adjusted Price	Price 12/31/86	% Change
1. Telequest Mkts. telephones	\$13.13	13	3	-77%
2. American Passage Marketing Mkts. consumer prods.	8.50	8 $\frac{1}{2}$	2	-76
3. First Family Group Operates retail appliance stores	17.50	14	4	-71
4. Dynatam Mfrs. & mkts. microcomputers	3.00	6	1 $\frac{3}{4}$	-71
5. Good Guys Sells consumer electronics	17.50	14	4 $\frac{5}{8}$	-67
6. Ivy Medical Mkts. medical equip.	2.00	4	1 $\frac{11}{32}$	-66
7. Women's Health Ctrs.-America Operates women's health ctrs.	3.60	6	2 $\frac{1}{16}$	-66
8. Pay 'n Save Operates retail super drugstores	52.00	16	5 $\frac{3}{4}$	-64
9. American Cruise Lines Operates cruise ships	6.88	8 $\frac{5}{8}$	3 $\frac{1}{8}$	-64
10. Mikron Instrument Mfrs. temp.-measurement equip.	2.50	5	1 $\frac{15}{16}$	-61

SOURCE: IDD Information Services Inc., New York City

Winners and losers. Overall, retailers and wholesalers raised more money from IPOs than did technology companies, but the latter often did better in the aftermarket, as shown in the tables above. (For purposes

of this comparison, we have included only firm-commitment issues that came out prior to October 1, 1986, with offering prices, adjusted for splits, of \$2 or more.)

BIRDS OF A FEATHER

For some investors, it was the Year of the Chicken.

☆ Every IPO market has its oddball offering that takes wing, touching off a flurry of similar deals. In 1984, it was the Crazy Eddie style of consumer-electronics retailer. ("His prices are *insane!!!!*") In 1985, it was membership discount stores. Last year, it was chickens.

The coop window opened in February, when one of the nation's larger poultry companies, Hudson Foods Inc., in Rogers, Ark., managed to raise \$23 million at a juicy multiple of 27 times per share earnings. The reason, it appeared, was the company's story, recounted in the prospectus, that per capita consumption of poultry is rising 15 times faster than that of red meat, and that Hudson Foods "emphasizes value-

added products" with fatter profit margins, if not fatter content.

The offering's success caught the eyes of at least a couple of other chicken companies—Corbett Enterprises Inc., in Hartford, and Golden Poultry Co., in Atlanta—both of which came along in August clucking more



or less the same tune. Corbett subsequently withdrew its offering, opting to be acquired instead. But Golden Poultry brought out its IPO on schedule in September, raising \$13.2 million without a squawk (albeit at a less snazzy multiple of 15 times earnings per share).

That was chicken feed, however, next to the November offering of Pilgrim's Pride Corp., in Pittsburg, Tex., the sixth largest chicken producer in the United States. The company, it seems, needed lots of money so that one part of the founding Pilgrim family could buy out another. Strange as this rationale was, investors ate it up, and Pilgrim successfully completed the largest chicken IPO of the year, selling \$46 million of stock.

Moral: When the window opens, it's time to spread your wings and fly.

HOW TO MAKE A DEAL SING

Prospectuses go new wave.

☆ There may be a better cure for insomnia than an old-fashioned prospectus, but we haven't found it. There aren't many pictures to look at, after all, and—even if there were—you'd still have to plow through prose written (or rewritten) by lawyers. Need we say more? But before you throw away your Seconal, you'd better take a look at some of the new prospectuses coming down the pike. Not only will they keep you awake. They just might make you want to dance.

One of the first to strike up the beat was Kurzweil Music Systems Inc., in Waltham,

Mass., which felt mere words could not do justice to its sophisticated computer-based musical instruments. It's one thing to read about a keyboard that can imitate everything from baroque to Motown; it's quite another thing to hear it. So Kurzweil produced a high-quality audiocassette tape recording of its products in action, then furnished the half-hour tape (along with the regular prospectus) to interested parties. With little fanfare, the company sold out its offering of \$9.4 million toward the end of 1985.

Audio was certainly a step forward, but

the future may belong to living color. Already, there are production companies that specialize in videotapes to accompany prospectuses, and they report that business is booming, as more and more underwriters—including the likes of Dean Witter Reynolds Inc. and Morgan Stanley & Co.—send clients into the studio. The idea, says Anne Shahmoon, creative director for Exploration Inc., a New York City production company, is to "provide an upbeat and concise explanation of the company and its product."

Unfortunately, there's a limit to just how "upbeat" you can be. Last fall, the Securities & Exchange Commission agreed to allow the use of videos, but stipulated that they should include no information not contained in the printed prospectus. In other words, no songs by Lionel Richie. What's more, the videos should be shown only to brokers, not the general public. And, oh yes, the script has to be reviewed by lawyers—who will no doubt find some way to put us all back to sleep.



"Upbeat" videotapes to accompany new-wave prospectuses
The future may belong to living color, but the lawyers still review the script.

RERUNS

The Used-Equipment Offering



Who needs sparkle? Toronto-based Officeland Inc. makes its money finding new homes for old typewriters, photocopiers, and computers, which it gets from banks and other companies, often splitting the profit. "The concept is unique," says Franklin Wolf, chairman and president of F. N. Wolf & Co., which managed the company's \$2.4-million IPO. "We never thought of it as a glamour stock." Nevertheless, Officeland, which came out at \$3.50 last January, has since traded at over \$7.

UNDERWRITERS: HOT HANDS

Rank & Underwriter	No. of IPOs Managed	No. of IPOs Whose Aftermarket Price Rose	% Change in Prices of IPOs Managed
1. Whale Securities (New York City)	4	4	112%
2. Laidlaw Adams & Peck (New York City)	3	1	69
3. Piper, Jaffray & Hopwood (Minneapolis)	3	1	34
4. F. N. Wolf (New York City)	3	3	33
5. Hambrecht & Quist (San Francisco)	5	3	32
6. Robertson Colman (San Francisco)	4	4	32
7. D. H. Blair (New York City)	14	6	17
8. Furman Selz Mager Dietz & Birney (New York City)	4	2	17
9. McKinley Square Allsopp (New York City)	4	4	15
10. Lazard Frères (New York City)	4	2	14

UNDERWRITERS: COLD HANDS

Rank & Underwriter	No. of IPOs Managed	No. of IPOs Whose Aftermarket Price Rose	% Change in Prices of IPOs Managed
1. First Affiliated Securities (San Diego)	6	0	-42%
2. Legg Mason Wood Walker (Baltimore)	3	0	-30
3. Boettcher & Co. (Denver)	4	0	-27
4. Prudential-Bache Securities (New York City)	9	1	-24
5. Blackstock & Co. (Jacksonville)	3	1	-24
6. Montgomery Securities (San Francisco)	4	2	-21
7. Blunt Ellis & Loewi (Chicago)	3	1	-18
8. Ladenburg, Thalmann (New York City)	13	3	-17
9. Steinberg & Lyman (New York City)	3	0	-14
10. Drexel Burnham Lambert (New York City)	41	7	-13

SOURCE: GOING PUBLIC: The IPO Reporter, New York City

Pricing it right. There's an element of chance in any successful initial public offering, but investment bankers do control certain key elements of the deal, notably pricing. So one way to tell how underwriters did is to look at the aftermarket performance of the issues they brought public, as we have done in the tables above (limiting the comparison to companies that managed three or more IPOs during 1986). The rankings are based on percentage change in the prices of new issues

managed by the concern, calculated by adding up the offering prices of each company's IPOs, then comparing that total to the sum of their closing prices on December 31, 1986. And what does it all mean? Well, if you had invested in a deal managed by one of the underwriters on the right, chances are you'd be out some money. Then again, if one of those firms had handled your offering, you might well be hearing from angry shareholders right now.

HERE THEY COME AGAIN

The companies that went private are going public.

★ Remember the early days of the leveraged-buyout craze? Remember all those managers who just couldn't say enough about how *great* it was to operate as a private company? Well, guess what. They changed their minds.

The year 1986 witnessed a raft of public offerings from companies that had previously been acquired in leveraged buyouts. In many cases, moreover, the companies were completing a round-trip—that is, returning to the public equity markets after having earlier gone private via an LBO. If this seems like a long and complicated process, understand that the commuting time is only about two years, provided you know the shortcuts. And that includes all those Manhattan traffic jams.

Round-trip or one-way, the ride was certainly worth the effort. Consider Pannil Knitting Co., in Martinsville, Va., a leading maker of fleeced sweatclothes. The company had been thriving as a family-owned business until April 1984, when a group of managers and investors, including William

G. Pannil, decided to acquire it in an LBO. The cost to the new owners was \$253.5 million. Two years later, they sold off 40% of the stock in an IPO, giving them a quick gain of \$16.8 million.

Similar logic applied to the round-trippers, including Harman International Industries, an audio-equipment company; Anchor Glass Container, a manufacturer of glass containers; and Western Publishing Group, the publisher of *The Little Engine That Could* and other Golden Books. But the real engine that could is Wesray Inc., an investment company founded by former U.S. Treasury secretary William E. Simon. Of the dozen such deals that have been completed to date, Wesray principals have been involved in seven of them,



William E. Simon
Round-trip captain

including Anchor Glass.

With a universe of more than 500 LBOs, this is one fad that's not likely to peak soon. And who knows? It may be only a matter of time before a company makes its second round-trip. Perhaps the owners will collect frequent-flyer coupons along the way.

CHIPS AHOY

The Semiconductor Offerings



For about two years there, you would have had more luck going public as a maker of chocolate chips than as a maker

of silicon chips. But last May, two semiconductor companies—Linear Technology Corp. and Cypress Semiconductor Corp.—did successful IPOs within a day of each other, proving that investors don't hold grudges forever. It helped, of course, that both companies could show at least a little black ink.

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